

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Dedham  
Contributory Retirement System  
For the Four-Year Period  
January 1, 1999 - December 31, 2002  
PERAC 2002: 09-031-13**

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July 26, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Dedham** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **1999** to December 31, **2002**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas and Patrick H LePage who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

1. **Annual Statements:** The membership exhibit numbers were incorrect for 1999, 2000, 2001 and 2002. The errors included the current year's beginning numbers not matching the ending numbers from the prior year and the year-end retiree breakdown not agreeing with the beginning amount plus retirements less deaths and terminations.

The Annuity Savings Fund balance did not agree with the Supplementary Membership Schedule for 2002, due to a difference in the amount of interest posted to the members' accounts and the general ledger.

**Recommendation:** Membership exhibits should be reviewed for accuracy. If there is a programming problem, the software vendor should be informed and a correction to the system requested.

The Annuity Savings Fund balance must be corrected to agree with the supplementary membership schedule. Corrected copies of these statements should be sent to PERAC's Investment Unit. These copies must be clearly labeled as corrected copies. The Board should also implement a system of cross-checking the annual statement to ensure a complete and accurate representation of the system.

#### **Board Response:**

Membership exhibits refers to the statement that is printed each year-end. This form is printed from the TACS program that tracks new hires, refunds, transfers etc. The accuracy of this report is in question and we have been advised to notify our vendor. This report has many factors that can affect totals and the program accounts for them, however, if for example you have a new member that transfers in and then leaves in the same year there are three actions. This is an ongoing problem with all retirement systems that use computers!

The fund balance was due to a computer error and was corrected before the PERAC auditors had completed their audit. A corrected report has been submitted to PERAC.

2. **Cash Reconciliation:** The Treasurer's Office is not providing the Retirement Board with a monthly bank reconciliation. Retirement Board staff prepare independent reconciliations, but since they also handle deposits and prepare checks, the required segregation of duties is non-existent. This practice is counter to 840 CMR 25.13, which states that all bank accounts must be reconciled by someone other than the employee who receives and/or disburses cash.

At the end of the audit period, there was one check outstanding for more than six months, in the amount of \$574.54 issued in September 2001. This check, which is in the possession of the Retirement Board, was not mailed to the recipient due to PERAC's notification of noncompliance with G.L. c. 32, § 91A.

## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

**Recommendation:** The Treasurer's Office should forward all reconciliations to the Retirement Board for review and adjustments to accounts, if required. If the Retirement Board does not receive future reconciliations by the end of the following month, they should request the reconciliation in writing from the Treasurer's Office.

Any items that remain outstanding for more than six months should be researched, so that the proper voiding and recording of these items can be completed. The Board Administrator should void and reverse the check noted above, by year-end, after the member has received sufficient pension payments so as not to create a negative payment for the year.

**Board Response:**

The Treasurer's office is not providing the Retirement Board with a copy of the monthly bank reconciliation the Retirement Board is fully aware of the 840 CMR rules and has requested this from the Treasurer's office verbally and in writing many times and they have not complied. The Administrator's practice of reconciliation of this account is to be able to ensure the Retirement Board of its accuracy.

The outstanding check over six months old is due to a Disability retiree's noncompliance and the fact that there was insufficient pension being paid at the time of audit to void and reverse the check. The Retirement system has always had possession of this check and was able to void the check on December 31, 2003.

3. **Annuity Reserve Fund Interest:** The 1999, 2000, and 2002 Annuity Reserve Fund interest calculations were overstated; the cumulative variance is \$17,894.40.

**Recommendation:** An adjusting entry is needed to correct the January 1, 2003 beginning balance by the amount of excess interest recorded to the Annuity Reserve Fund (debit Annuity Reserve Fund \$17,894.40 and credit Pension Reserve Fund \$17,894.40).

The beginning balance for Annuity Reserve Fund at January 1, 2003 should be \$4,964,241.56. The Board must ensure that this amount is used as the beginning balance when calculating the current year's (2003) Annuity Reserve Fund interest.

**Board Response:**

The correction of the Annuity Reserve Fund interest was completed prior to the completion of our audit. A review of the calculation was done with PERAC's Auditor Patrick LePage to ensure the correct figures are used in the future.

## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

4. **Expenses:** The Board pays part of the salary of a Town employee, who performs no services for this pay. She keeps the minutes of Board meetings and receives additional pay for that task. Massachusetts Association of Contributory Retirement Systems was paid twice for meal plans for the June 1999 conference in Hyannis, MA.

Some vouchers submitted for travel expenses were not supported by detailed receipts. Details for charges such as hotel rooms and meals are necessary to verify dates and validity of the expenses.

Some disbursements recorded in the Administrative Expenses account should have been expensed to the Consulting Services account. This was true for fees paid to such vendors as TACS and Stone Consulting.

**Recommendation:** Retirement funds must only be used for the administration of the Dedham Retirement System. Town employees must be paid with Town funds. The Board should request refunds for Town salary payments and the overpayment to MACRS.

Board members must submit vouchers with detailed receipts, so that charges can be validated. The Board adopted PERAC's travel regulations on June 6, 2003.

The Administrator should regularly review general ledger entries to ensure proper classification of expenses.

**Board Response:**

The monthly stipend for Board meetings will continue as paid, any additional services provided to Board will be paid accordingly.

Request has been made for reimbursement of meal plan.

5. **Refunds:** Some members' withdrawal applications were incomplete. Primarily, the question of whether a member's termination was voluntary is unanswered. Witness signatures to beneficiary selection were regularly absent from enrollment forms.

**Recommendation:** Members' withdrawal applications must be completed in their entirety, so that no information is left open to questioning, and accurate refunds can be issued. Beneficiary selections must be witnessed when new members enroll in the System. These witnesses should be someone other than the beneficiaries.

**Board Response:**

When calculating a withdrawal from the system, we base the calculation on the statement of the employer!

## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

6. **Membership:** PERAC auditors sampled members' deduction rates to determine that correct percentages are being withheld, and that the additional 2% deduction is withheld from those members who make over \$30,000 and were hired after January 1, 1979.

There were four members from the sample that did not have the additional 2% deduction withheld from income over \$30,000 per year, prorated on a per payroll basis.

The payroll detail provided by the Town was insufficient to determine that contributions were only taken from regular compensation. Pay is only reported as retirement wages and other wages. The detail is necessary for the Retirement Board to check that contributions are paid on regular compensation only.

**Recommendation:** The Board must comply with G.L. c. 32, § 22(1)(b), and PERAC Memo # 43/1999, which discusses the additional 2% deductions. The Board should initiate a system of obtaining detailed payroll information from each department, which includes the following member information:

1. Name
2. Social Security or employee number
3. Membership date
4. Contribution rate
5. Compensation by type: total, regular, overtime, etc...
6. Contribution amount: Regular, 2% incremental, and make-up deductions
7. Any other information deemed appropriate

This data must be routinely reviewed by the Board or Board staff to ensure that the proper deductions are being withheld.

A training program should be set up for all payroll personnel, including representatives from outside payroll services. All persons charged with processing retirement deductions should receive copies of any and all memos or notices relating to new regulations or other changes involving eligibility or contribution rates.

#### **Board Response:**

The auditors presented four accounts to our Administrator stating that 2% should be withheld from the accounts. Upon researching these accounts it was found that only two should have 2% incremental withheld (as proven to the auditors) and as such the Treasurer's Office was notified to immediately begin taking the 2%. No explanation has been received from the Treasurer's Office as to why the 2% coding was not entered in the Town computer as required. The additional funds owed were collected on April 9, 2004.

## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

We have requested Town payroll reports and have received reports directly from the School Department and Housing Authority, but again our Treasurer's office does not comply with our requests.

7. **Current Retirees:** The three-year average salary information is "backed into" from contributions made to the System. There is no department-head approval or verification of salary information. In some instances, salaries were inadvertently calculated using more than thirty-six months of retirement contributions.

Misinterpretation of Form DD214 has resulted in purchases of military service that includes inactive reserve time. Members have bought back time that the government has optioned for compulsory return to service, if needed, subsequent to the serviceman's military discharge.

Members who fail to complete buybacks of service are not receiving pro-rated credit for payments made to the System.

**Recommendation:** It is recommended that the Board immediately require that department-heads sign off on the salary history of prospective retirees. Actual payroll records must be drawn upon when completing retirement calculations. Calculating backwards from annual deductions is not acceptable. We suggest that the Board require a comprehensive review of retirements calculated using this method, and submit any revisions to PERAC for approval of modifications.

The Administrator should review creditable service for military time calculated during her tenure. Any errors for active and/or retired members must be corrected. Pension recalculations should, again, be submitted to PERAC.

The Board must adjust creditable service to reflect time purchased through a buyback, whether or not that buyback is completed.

#### **Board Response:**

The first statement is regarding the calculation of salaries. This is a practice that has been used for many years, as additional payroll reports requested from ADP are costly to the Town. We post our payroll on a weekly basis and can monitor for any changes in deductions very easily. When a member retires, is it normal procedure to run a detailed deduction report and review for inconsistencies. If such an inconsistency exists, payroll records are pulled for verification.

A review of veterans has been made, and a procedure of verification put in place.

If a member commits to a buyback and of his or her own accord does not complete payment we do not prorate time!



## **Dedham Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

8. **Meeting Minutes:** During the period of January 1, 1999 through July 23, 2003, the regular meeting minutes noted seven references to the Board holding Executive Sessions. The Board provided draft minutes but have not approved or signed these sessions.

**Recommendation:** The Board should approve and sign meeting minutes for all Executive Sessions. If the regular meeting's secretary is excused, the Board should vote one of the members to record the minutes for the session. The Board should also make a determination on Executive Session minutes that no longer need to be kept confidential.

**Board Response:**

These minutes have all been signed as requested by the PERAC Auditors and a vote was taken to prevent them from being public record.

9. **Record Retention:** The Treasurer disposed of the System's reports and bank statements in his custody dated prior to 7/1/00. Cancelled checks have also been discarded. In the request to the Secretary of State's office, these records were inadvertently certified as audited Town property. The Board was not aware this occurred.

**Recommendation:** The Board is responsible for setting its own policies regarding operational and procedural matters. The Treasurer can only act at the explicit direction of the Retirement Board. The Board should review record retention and storage of files to ensure that all personnel are familiar and comply with the regulations promulgated by the Secretary of State.

**Board Response:**

The Dedham Retirement Board was very upset at the discovery that the Treasurer's Office destroyed our records and has sent a cease and desist letter to ensure this does not occur again. We have rented a storage unit and are in the process of moving any and all records from the Town Hall.

**Final Determination:**

***PERAC audit staff will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.***

## Dedham Retirement System

### STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 1999  
AND ENDING DECEMBER 31, 2002**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Cash	\$322,552.46	\$170,739.47	\$178,392.09	\$145,528.70
Short Term Investments				
Fixed Income Securities (market value)				
Equities				
Pooled Short Term Funds				
Pooled Domestic Equity Funds				
Pooled International Equity Funds				
Pooled Global Equity Funds				
Pooled Domestic Fixed Income Funds				
Pooled International Fixed Income Funds				
Pooled Global Fixed Income Funds				
Pooled Alternative Investment Funds				
Pooled Real Estate Funds				
Pooled Domestic Balanced Funds				
Pooled International Balanced Funds				
PRIT Cash Fund	110,139.41	120,227.68	105,298.44	\$160,400.03
PRIT Core Fund	47,296,721.93	52,456,247.54	55,391,296.13	\$55,399,614.50
Interest Due and Accrued				
Accounts Receivable	1,493,713.19	1,484,596.08	1,461,416.58	\$1,421,932.77
Accounts Payable	(1,077.78)	(866.43)	(764.15)	\$0.00
<b>TOTAL</b>	<b><u>\$49,222,049.21</u></b>	<b><u>\$54,230,944.34</u></b>	<b><u>\$57,135,639.09</u></b>	<b><u>\$57,127,476.00</u></b>
<b>FUND BALANCES</b>				
Annuity Savings Fund	\$12,502,458.62	\$12,089,749.42	\$11,614,320.32	\$11,155,114.26
Annuity Reserve Fund	4,982,135.96	4,575,058.37	4,184,592.67	3,986,675.50
Military Service Fund	1,433.07	1,398.11	1,364.01	1,330.74
Pension Fund	-	211,463.58	366,238.79	372,265.84
Expense Fund	-	-	-	-
Pension Reserve Fund	31,736,021.56	37,353,274.86	40,969,123.30	41,612,089.66
<b>TOTAL</b>	<b><u>\$49,222,049.21</u></b>	<b><u>\$54,230,944.34</u></b>	<b><u>\$57,135,639.09</u></b>	<b><u>\$57,127,476.00</u></b>

## Dedham Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1999  
AND ENDING DECEMBER 31, 2002**

	Annuity Savings Fund	Annuity Reserve Fund	Military Service Fund	Pension Fund	Expense Fund	Pension Reserve Fund	Total All Funds
<b>Beginning Balance (1999)</b>	\$10,636,684	\$3,696,683	\$1,298	\$330,357	\$0	\$31,600,255	<b>\$46,265,277</b>
Receipts	1,251,490	\$117,315	32	3,038,641	178,661	10,012,240	<b>14,598,380</b>
Interfund Transfers	(578,048)	578,454				(406)	<b>0</b>
Disbursements	<u>(155,012)</u>	<u>(\$405,777)</u>	<u>0</u>	<u>(2,996,732)</u>	<u>(178,661)</u>	<u>0</u>	<b><u>(3,736,182)</u></b>
<b>Ending Balance (1999)</b>	<b>11,155,114</b>	<b>\$3,986,676</b>	<b>1,331</b>	<b>372,266</b>	<b>0</b>	<b>41,612,090</b>	<b>57,127,476</b>
Receipts	1,361,594	128,225	33	3,263,638	299,102	(643,329)	<b>4,409,263</b>
Interfund Transfers	(541,271)	540,909				363	<b>(0)</b>
Disbursements	<u>(361,116)</u>	<u>(471,217)</u>	<u>0</u>	<u>(3,269,665)</u>	<u>(299,102)</u>	<u>0</u>	<b><u>(4,401,100)</u></b>
<b>Ending Balance (2000)</b>	<b>11,614,320</b>	<b>4,184,593</b>	<b>1,364</b>	<b>366,239</b>	<b>0</b>	<b>40,969,123</b>	<b>57,135,639</b>
Receipts	1,492,674	128,965	34	3,318,470	308,948	(3,615,848)	<b>1,633,243</b>
Interfund Transfers	(790,187)	790,187					<b>0</b>
Disbursements	<u>(227,058)</u>	<u>(528,686)</u>	<u>0</u>	<u>(3,473,245)</u>	<u>(308,948)</u>	<u>0</u>	<b><u>(4,537,937)</u></b>
<b>Ending Balance (2001)</b>	<b>12,089,749</b>	<b>4,575,058</b>	<b>1,398</b>	<b>211,464</b>	<b>0</b>	<b>37,353,275</b>	<b>54,230,944</b>
Receipts	1,566,702	139,843	35	3,283,227	313,015	(5,276,819)	<b>26,002</b>
Interfund Transfers	(884,871)	883,816		341,489		(340,434)	<b>0</b>
Disbursements	<u>(269,122)</u>	<u>(616,582)</u>	<u>0</u>	<u>(3,836,179)</u>	<u>(313,015)</u>	<u>0</u>	<b><u>(5,034,898)</u></b>
<b>Ending Balance (2002)</b>	<b><u>\$12,502,459</u></b>	<b><u>\$4,982,136</u></b>	<b><u>\$1,433</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$31,736,022</u></b>	<b><u>\$49,222,049</u></b>

# Dedham Retirement System

## STATEMENT OF INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1999  
AND ENDING DECEMBER 31, 2002**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Annuity Savings Fund:</b>				
Members Deductions	\$1,208,752.64	\$1,131,867.92	\$1,051,628.50	\$973,731.88
Transfers from other Systems	\$228,050.51	\$136,427.27	\$69,684.08	\$21,151.92
Member Make Up Payments and Redeposits	\$9,157.27	\$13,943.83	\$15,444.49	\$30,564.23
Investment Income Credited to Member Accounts	<u>\$120,741.42</u>	<u>\$210,435.17</u>	<u>\$224,836.49</u>	<u>\$226,041.81</u>
<b>Sub Total</b>	<b><u>\$1,566,701.84</u></b>	<b><u>\$1,492,674.19</u></b>	<b><u>\$1,361,593.56</u></b>	<b><u>\$1,251,489.84</u></b>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited Annuity Reserve Fund	<u>\$139,842.91</u>	<u>\$128,965.14</u>	<u>\$128,224.81</u>	<u>\$117,315.04</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems	\$61,759.21	\$72,786.26	\$72,697.54	\$70,632.88
Received from Commonwealth for COLA and Survivor Benefits	\$243,506.33	\$266,417.32	\$281,503.64	\$276,654.72
Pension Fund Appropriation	<u>\$2,977,960.96</u>	<u>\$2,979,266.00</u>	<u>\$2,909,437.18</u>	<u>\$2,691,353.82</u>
<b>Sub Total</b>	<b><u>\$3,283,226.50</u></b>	<b><u>\$3,318,469.58</u></b>	<b><u>\$3,263,638.36</u></b>	<b><u>\$3,038,641.42</u></b>
<b>Military Service Fund:</b>				
Contribution Received from Municipality on Account of Military Service	\$0.00	\$0.00	\$0.00	\$0.00
Investment Income Credited Military Service Fund	<u>\$34.96</u>	<u>\$34.10</u>	<u>\$33.27</u>	<u>\$32.46</u>
<b>Sub Total</b>	<b><u>\$34.96</u></b>	<b><u>\$34.10</u></b>	<b><u>\$33.27</u></b>	<b><u>\$32.46</u></b>
<b>Expense Fund:</b>				
Expense Fund Appropriation	\$9,000.00	\$0.00	\$0.00	\$0.00
Investment Income Credited to Expense Fund	<u>\$304,015.29</u>	<u>\$308,948.17</u>	<u>\$299,102.00</u>	<u>\$178,661.02</u>
<b>Sub Total</b>	<b><u>\$313,015.29</u></b>	<b><u>\$308,948.17</u></b>	<b><u>\$299,102.00</u></b>	<b><u>\$178,661.02</u></b>
<b>Pension Reserve Fund:</b>				
Federal Grant Reimbursement	\$1,620.41	\$1,898.34	\$1,749.71	\$1,481.00
Pension Reserve Appropriation	\$0.00	\$0.00	\$0.00	\$143,487.00
Interest Not Refunded	\$958.78	\$1,586.43	\$2,037.23	\$751.61
Excess Investment Income	<u>(\$5,279,398.27)</u>	<u>(\$3,619,333.21)</u>	<u>(\$647,115.81)</u>	<u>\$9,866,520.79</u>
<b>Sub Total</b>	<b><u>(\$5,276,819.08)</u></b>	<b><u>(\$3,615,848.44)</u></b>	<b><u>(\$643,328.87)</u></b>	<b><u>\$10,012,240.40</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$26,002.42</u></b>	<b><u>\$1,633,242.74</u></b>	<b><u>\$4,409,263.13</u></b>	<b><u>\$14,598,380.18</u></b>

# Dedham Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1999  
AND ENDING DECEMBER 31, 2002**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>				
	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Annuity Savings Fund:</b>				
Refunds to Members	\$23,029.34	\$122,204.41	\$138,790.00	\$132,011.03
Transfers to other Systems	\$246,092.67	\$104,853.66	\$222,326.02	\$23,000.55
<b>Sub Total</b>	<b><u>\$269,122.01</u></b>	<b><u>\$227,058.07</u></b>	<b><u>\$361,116.02</u></b>	<b><u>\$155,011.58</u></b>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	\$558,903.67	\$528,686.46	\$471,216.61	\$405,776.75
Option B Refunds	\$57,677.91	\$0.00	\$0.00	\$0.00
<b>Sub Total</b>	<b><u>\$616,581.58</u></b>	<b><u>\$528,686.46</u></b>	<b><u>\$471,216.61</u></b>	<b><u>\$405,776.75</u></b>
<b>Pension Fund:</b>				
Pensions Paid				
Regular Pension Payments	\$2,172,874.23	\$1,974,641.61	\$1,786,914.80	\$1,607,049.42
Survivorship Payments	\$261,211.06	\$244,681.06	\$238,773.68	\$209,295.70
Ordinary Disability Payments	\$174,850.21	\$170,350.56	\$171,765.69	\$156,524.96
Accidental Disability Payments	\$827,390.36	\$762,877.11	\$768,198.47	\$719,826.81
Accidental Death Payments	\$234,057.09	\$169,869.24	\$167,961.24	\$156,227.69
Section 101 Benefits	\$26,825.37	\$26,844.78	\$26,274.72	\$25,091.64
3 (8) (c) Reimbursements to Other Systems	\$138,970.35	\$123,980.43	\$109,776.81	\$122,715.95
State Reimbursable COLA's Paid	\$0.00	\$0.00	\$0.00	\$0.00
Chapter 389 Beneficiary Increase Paid	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sub Total</b>	<b><u>\$3,836,178.67</u></b>	<b><u>\$3,473,244.79</u></b>	<b><u>\$3,269,665.41</u></b>	<b><u>\$2,996,732.17</u></b>
<b>Military Service Fund:</b>				
Return to Municipality for Members Who Withdrew Their Funds	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<b>Expense Fund:</b>				
Board Member Stipend	\$0.00	\$0.00	\$0.00	\$0.00
Salaries	\$56,215.28	\$55,006.40	\$52,921.24	\$51,373.23
Legal Expenses	\$5,474.09	\$3,474.93	\$1,231.53	\$1,919.76
Medical Expenses	\$0.00	\$0.00	\$0.00	\$0.00
Travel Expenses	\$4,347.97	\$3,979.84	\$3,829.28	\$3,921.83
Administrative Expenses	\$36,939.42	\$30,397.52	\$26,471.48	\$46,133.28
Furniture and Equipment	\$1,185.90	\$274.98	\$3,743.00	\$4,884.50
Management Fees	\$208,852.63	\$215,814.50	\$210,905.47	\$70,428.42
Custodial Fees	\$0.00	\$0.00	\$0.00	\$0.00
Consultant Fees	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sub Total</b>	<b><u>\$313,015.29</u></b>	<b><u>\$308,948.17</u></b>	<b><u>\$299,102.00</u></b>	<b><u>\$178,661.02</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$5,034,897.55</u></b>	<b><u>\$4,537,937.49</u></b>	<b><u>\$4,401,100.04</u></b>	<b><u>\$3,736,181.52</u></b>

# Dedham Retirement System

## INVESTMENT INCOME

**FOR THE FOUR-YEAR PERIOD BEGINNING JANUARY 1, 1999  
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2002	2001	2000	1999
<b>Investment Income Received From:</b>				
Cash	\$3,047.62	\$5,630.40	\$670,084.88	\$7,650.32
Short Term Investments				
Fixed Income				
Equities				
Pooled or Mutual Funds				
PRIT Fund	\$1,659,811.86	\$1,751,188.78	\$1,744,062.92	\$4,839,442.29
Commission Recapture				
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$1,662,859.48</u></b>	<b><u>\$1,756,819.18</u></b>	<b><u>\$2,414,147.80</u></b>	<b><u>\$4,847,092.61</u></b>
<b>Plus:</b>				
Increase in Amortization of Fixed Income Securities	\$0.00	\$0.00	\$0.00	\$0.00
Realized Gains	\$74,363.96	\$373,595.60	\$4,639,876.63	\$1,357,043.67
Unrealized Gains	\$5,369,858.59	\$7,033,556.36	\$6,431,357.14	\$5,593,581.30
Interest Due and Accrued on Fixed Income Securities - Current Year	\$0.00	\$0.00	\$0.00	\$0.00
<b>Sub Total</b>	<b><u>\$5,444,222.55</u></b>	<b><u>\$7,407,151.96</u></b>	<b><u>\$11,071,233.77</u></b>	<b><u>\$6,950,624.97</u></b>
<b>Less:</b>				
Decrease in Amortization of Fixed Income Securities	\$0.00	\$0.00	\$0.00	\$0.00
Paid Accrued Interest on Fixed Income Securities	\$0.00	\$0.00	\$0.00	\$0.00
Realized Loss	(\$1,611,140.53)	(\$669,917.75)	\$0.00	\$0.00
Unrealized Loss	(\$10,210,705.19)	(\$11,465,004.02)	(\$13,480,300.81)	(\$1,409,146.46)
Custodial Fees Paid	\$0.00	\$0.00	\$0.00	\$0.00
Consultant Fees Paid	\$0.00	\$0.00	\$0.00	\$0.00
Management Fees Paid	\$0.00	\$0.00	\$0.00	\$0.00
Board Member Stipend	\$0.00	\$0.00	\$0.00	\$0.00
Interest Due and Accrued on Fixed Income Securities - Prior Year	\$0.00			
<b>Sub Total</b>	<b><u>(\$11,821,845.72)</u></b>	<b><u>(\$12,134,921.77)</u></b>	<b><u>(\$13,480,300.81)</u></b>	<b><u>(\$1,409,146.46)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>(\$4,714,763.69)</u></b>	<b><u>(\$2,970,950.63)</u></b>	<b><u>\$5,080.76</u></b>	<b><u>\$10,388,571.12</u></b>
<b>Income Required:</b>				
Annuity Savings Fund	\$120,741.42	\$210,435.17	\$224,836.49	\$226,041.81
Annuity Reserve Fund	\$139,842.91	\$128,965.14	\$128,224.81	\$117,315.04
Military Service Fund	\$34.96	\$34.10	\$33.27	\$32.46
Expense Fund	\$304,015.29	\$308,948.17	\$299,102.00	\$178,661.02
<b>TOTAL INCOME REQUIRED</b>	<b><u>\$564,634.58</u></b>	<b><u>\$648,382.58</u></b>	<b><u>\$652,196.57</u></b>	<b><u>\$522,050.33</u></b>
Net Investment Income	<u>(\$4,714,763.69)</u>	<u>(\$2,970,950.63)</u>	<u>\$5,080.76</u>	<u>\$10,388,571.12</u>
Less: Total Income Required	<u>\$564,634.58</u>	<u>\$648,382.58</u>	<u>\$652,196.57</u>	<u>\$522,050.33</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>(\$5,279,398.27)</u></b>	<b><u>(\$3,619,333.21)</u></b>	<b><u>(\$647,115.81)</u></b>	<b><u>\$9,866,520.79</u></b>

## Dedham Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$322,552	0.68%	100
Short Term		\$0	0.00%	100
Fixed Income		\$0	0.00%	40 - 80
Equities		\$0	0.00%	
Pooled Short Term Funds		\$0	0.00%	
Pooled Domestic Equity Funds		\$0	0.00%	
Pooled International Equity Funds		\$0	0.00%	
Pooled Global Equity Funds		\$0	0.00%	
Pooled Domestic Fixed Income Funds		\$0	0.00%	
Pooled International Fixed Income Funds		\$0	0.00%	
Pooled Global Fixed Income Funds		\$0	0.00%	
Pooled Alternative Investment Funds		\$0	0.00%	
Pooled Real Estate Funds		\$0	0.00%	
Pooled Domestic Balanced Funds		\$0	0.00%	
Pooled International Balanced Funds		\$0	0.00%	
PRIT Cash Fund		\$110,139	0.23%	
PRIT Core Fund		\$47,296,722	<u>99.09%</u>	100
<b>GRAND TOTALS</b>	<b><u>\$0</u></b>	<b><u>\$47,729,414</u></b>	<b><u>100.00%</u></b>	

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2002**, the rate of return for the investments of the **Dedham** Retirement System was -8.98%. For the five-year period ending December 31, **2002**, the rate of return for the investments of the **Dedham** Retirement System averaged 4.04%. For the eighteen-year period ending December 31, **2002**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Dedham** Retirement System was 10.15%.

## **Dedham Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

The **Dedham** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

The Dedham Retirement System has no supplementary investment regulations on file with PERAC.



## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Dedham** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Dedham** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

##### **October 2, 1985**

- That every new employee who works for the Town of Dedham be informed in writing regarding creditable service. Service shall be computed as follows:
- The members working up to, 20 hours per week - 50%
- 25 hours per week - 75%
- in excess of 25 hours per week - 100%

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

##### **NOTE 3 -SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)**

###### **February 9, 2000**

- (1) As of January 1, 2000 eligibility for membership in the Town of Dedham Contributory Retirement System for individuals whose employment commenced on or after January 1, 2000 shall be based upon regular employment of not less than 20 hours per week per calendar year (1040 hours) or 20 hours per week per school year (800 hours).
- (2) An employee, who is employed at least 20 hours per week on a permanent basis, shall become a member of the System with creditable service prorated to 37 ½ hour per week as full-time employment.

###### **January 5, 2001**

Employees in permanent positions who work the maximum number of hours established for the position as certified by the Treasurer, Department Head or Board of Selectmen which is equal to or exceeds 20 hours per week or a minimum of 800 hours in a calendar year for at least one (1) calendar year and have met all applicable requirements for membership in the system shall receive full-time credit for that employment as long as the member remains in that position.

If the employee changes positions within the town or accepts a position with a public employer which would make the employee eligible for membership in a G.L. c. 32 retirement system, the creditable service earned in the prior position will be calculated on a prorated basis using an equation established by comparing the number of actual hours worked into the 37 1/2 hours per week rationale for the rule.

## **Dedham Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of the Director Of Finance who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Maryellen Murphy

Appointed Member: John W. Fontaine, Jr. Term Expires: N/A

Elected Member: June F. Rosado Term Expires: 12/18/2004

Elected Member: John Maloney Term Expires: 12/18/2005

Appointed Member: Ronald J. Pucci Term Expires: 01/01/2006

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	\$30,000,000 Fiduciary Liability
Ex officio Member:	)	Travelers (\$10M Primary)
Elected Member:	)	Federal Insurance Co. (Chubb Group) (\$10M Excess of Primary)
Appointed Member:	)	Executive Risk Indemnity, Inc. (\$10M Excess of \$20M)
Staff Employee:	)	\$1,000,000 Commercial Crime – Employee Dishonesty

# Dedham Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Stone Consulting, Inc.** as of **January 1, 2001**.

The actuarial liability for active members was	\$35,139,381
The actuarial liability for inactive members was	223,358
The actuarial liability for retired members was	32,596,391
The total actuarial liability was	<b>67,959,130</b>
System assets as of that date were	57,355,132
The unfunded actuarial liability was	<b><u>\$10,603,998</u></b>
The ratio of system's assets to total actuarial liability was	84.4%
As of that date the total covered employee payroll was	\$13,273,000

The normal cost for employees on that date was 7.80% of payroll

The normal cost for the employer was 8.20% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.50% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2001	\$ 57,355,132	\$ 67,959,130	\$ 10,603,998	84.4%	\$13,273,000	79.89%
1/1/2000	57,128,000	65,662,000	8,534,000	87.0%	13,082,000	65.23%
1/1/1999	46,265,277	61,550,367	15,285,090	75.2%	12,579,000	121.51%
1/1/1997	32,180,000	47,073,000	14,893,000	68.4%	11,140,000	133.69%
1/1/1994	19,894,000	39,171,000	19,277,000	50.8%	10,024,000	192.31%

## Dedham Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE FOUR-YEAR PERIOD ENDING DECEMBER 31, 2002**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Superannuation	8	8	11	8	12	11	3	9	17
Ordinary Disability	8	0	0	1	1	0	0	0	2
Accidental Disability	0	2	4	1	0	0	0	1	0
<b>Total Retirements</b>	<b>16</b>	<b>10</b>	<b>15</b>	<b>10</b>	<b>13</b>	<b>11</b>	<b>3</b>	<b>10</b>	<b>19</b>
Total Retirees, Beneficiaries and Survivors	231	233	243	248	256	265	275	299	302
<b>Total Active Members</b>	<b>363</b>	<b>381</b>	<b>380</b>	<b>399</b>	<b>376</b>	<b>424</b>	<b>426</b>	<b>399</b>	<b>424</b>
<b>Pension Payments</b>									
Superannuation	\$879,584	\$931,560	\$1,003,559	\$1,093,419	\$1,281,968	\$1,485,669	\$1,607,049	\$1,786,915	\$1,974,642
Survivor/Beneficiary Payments	56,892	54,809	57,251	55,737	55,558	180,124	209,296	238,774	244,681
Ordinary Disability	186,453	182,098	173,093	163,374	176,839	170,326	156,525	171,766	170,351
Accidental Disability	369,345	386,529	492,093	567,406	565,556	642,014	719,827	768,198	762,877
Other	<u>480,869</u>	<u>485,434</u>	<u>491,063</u>	<u>429,846</u>	<u>530,678</u>	<u>265,053</u>	<u>304,035</u>	<u>304,013</u>	<u>320,694</u>
<b>Total Payments for Year</b>	<b><u>\$1,973,143</u></b>	<b><u>\$2,040,430</u></b>	<b><u>\$2,217,059</u></b>	<b><u>\$2,309,782</u></b>	<b><u>\$2,610,599</u></b>	<b><u>\$2,743,186</u></b>	<b><u>\$2,996,732</u></b>	<b><u>\$3,269,665</u></b>	<b><u>\$3,473,245</u></b>